

## Message Text

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44

ACTION EUR-12

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 3410

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AMEMBASSY THE HAGUE NIACT IMMEDIATE

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

S E C R E T BRUSSELS 2303

NOFORN

E.O. 11652: GDS

TAGS: MASS NL BE

SUBJECT: F-104 REPLACEMENT

1. SUMMARY. RELIABLE BELGIAN SOURCE HAS INFORMED MAAG THAT A BELGIAN DELEGATION WILL USE THE OPPORTUNITY OF A BILATERAL MEETING BETWEEN THEM AND THE NETHERLANDS AT THE HAGUE ON 18 MARCH 75 TO CONVINCE THE NETHERLANDS TO PURCHASE THE MIRAGE FIE/M-53. IF THEY ARE SUCCESSFUL THE 4-COUNTRY MOD MEETING ON 24 MARCH WILL BE THE FORUM FOR THE ANNOUNCEMENT. THE LATEST FRENCH OFFER WAS DELIVERED TO BELGIUM ON WEDNESDAY AFTERNOON 12 MARCH 75 AND TO THE NETHERLANDS ON 13 MARCH. NEW OFFER SHOWS FICTICIOUS DECREASE IN PRICE OF THE FIE/M-53 AND AN AGREEMENT FOR POSSIBLE REPEAT POSSIBLE INTEGRATION OF EUROPEAN AIRCRAFT INDUSTRY. IN ADDITION FRANCE ACCEPTS THE CONCEPT OF MILITARY INTEGRATION OF THE FRENCH AIR FORCE INTO NATO AND EUROPE IN CASE OF WAR. THIS LAST POINT IS SO COVERED BY CONDITIONS THAT MAKE IT USELESS BUT WILL BE USED BY

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BELGIAN POLITICIANS AS EVIDENCE OF CLOSER TIES BY FRANCE

TO NATO, END SUMMARY.

2. A BELGIAN DELEGATION HEADED BY MINISTER VANDEN BOEYNANTS (MOD), REPRESENTATIVE OF FOREIGN AFFAIRS (PROBABLY VAN ELSLANDE), ECONOMIC AFFAIRS (NAME UNKNOWN, MINISTER OLEFFE IS TOO ILL TO ATTEND), LT GENERAL DEBECHE, CHIEF OF STAFF, BELGIAN AIR FORCE, MAJOR GENERAL VERLOOY, DEPUTY COS BAF, AND COL LEFEVBRE, AIR FORCE REPRESENTATIVE IN THE CABINET OF THE MOD PLUS OTHERS WILL MEET WITH THEIR DUTCH COUNTERPARTS IN A BILATERAL MEETING WHERE THE MAJOR TOPIC OF DISCUSSION WILL BE REPLACEMENT OF THE F-104G. MEETING WILL BE HELD AS PART OF NORMALLY SCHEDULED BILATERAL TALKS.

3. BELGIAN DELEGATION WILL ARGUE THAT NEW FRENCH OFFER MAKES THE FIE/M-53 PRICE COMPETITIVE WITH THE US F-16. DASSAULT HAS AGREED TO LOWER ITS PRICE APPROXIMATELY 7-8 PERCENT. THE FRENCH GOVERNMENT HAS HELPED DECREASE THE PURCHASE PRICE AN ADDITIONAL 4-6 PERCENT BY INCREASING THE LIMIT OF INFLATION GUARANTEE. WHAT WAS A LIMITATION GUARANTEE OF 7 1/2 PERCENT, 6-1/2 PERCENT AND 5-1/2 PERCENT OF THE PRICE OVER THE CONTRACT WILL NOW BE 9-1/2, 8-1/2 AND 7-1/2 PERCENT. THE FRENCH GOVERNMENT RUNS THE RISK THAT INFLATION WILL NOT BE 9-1/2, 8-1/2, 7-1/2 BUT ASSUMING IT IS, THE PRICE WILL REMAIN EXACTLY THE SAME BY THE END OF THE CONTRACT. THIS COSMETIC REDUCTION ALLOWS THE 4-6 PERCENT REDUCTION. TO FINALLY MAKE THE FRENCH PRICE COMPATIBLE TO THE US THE BELGIANS WILL ARGUE THAT THE DOLLAR VERSUS THE BELGIAN FRANC IS UNREALISTICALLY LOW AT THE CURRENT RATE OF \$1 TO 34.5 BELGIAN FRANCS. THEY WILL ARGUE THAT THE AMERICAN NTE PRICE MUST BE RAISED BY AT LEAST 10 PERCENT TO COVER THIS POSSIBLE CURRENCY FLUCTUATION. THE RESULT OF THESE THREE MANIPULATIONS IS AN ATTEMPT TO MAKE IT APPEAR THAT THE MIRAGE FIE/M-53 IS ON A PRICE PAR WITH THE US OFFER.

4. BELGIAN SOURCE OF ABOVE INFORMATION HAS, OVER THE PAST TWO YEARS BEEN COMPLETELY ACCURATE IN HSI ANALYSIS OF CURRENT BELGIAN MOVES IN THE F-104 REPLACEMENT ISSUE. HE TOLD THE MAAG THAT IF THE NETHERLANDS CAN RESIST THE BELGIAN PRESSURE FOR A MIRAGE DECISION AT THE 18 MARCH 1975 HAGUE MEETING

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THEN WE CAN STILL SELL THE F-16 TO ALL 4 COUNTRIES. HE STRONGLY RECOMMENDS HIGHEST LEVEL INDICATION OF US GOVERNMENT INTEREST TO BOTH BELGIUM AND THE NETHERLANDS AND ESPECIALLY THE NETHERLANDS PRIOR TO THE 18 MARCH HAGUE MEETING. IF THE NETHERLANDS RESIST THE FRENCH AND BELGIAN EFFORTS FOR THE FIE, IT WILL BE IMPRACTICAL FOR BELGIUM ALONE TO SELECT THE MORAG.FIRESTONE

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